



# Dutch Good Growth Fund

## **Notice proposed transaction: Bogd Bank** **Date of Publication: November 16, 2023**

Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

### **Views**

Parties can express their views on the proposed transaction to the Fund Manager by contacting [dggf@pwc.com](mailto:dggf@pwc.com) within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

### **Description (English)**

#### **Part of DGGF**

Financing Local SMEs

#### **Name of Financial Institution (FI)**

Bogd Bank

#### **Domicile FI**

Mongolia

#### **Nature of the activities of the FI**

Founded in 2014, Bogd Bank LLC is a Mongolian commercial bank headquartered in Ulaanbaatar and specialized in corporate, retail, and SME lending. Bogd Bank is one of the youngest commercial banks in the country and the use of modern digital banking technologies has helped them scale up the portfolio. The bank was founded by the Luvsanvandan family, owners of Bodi Capital LLC, which is one of the biggest Mongolian conglomerates operating in different economic sectors and was among the founders of Golomt Bank, one of the 5 systemic banks in Mongolia.

Bogd has shown significant growth rates over the past few years, reaching EUR 74.6M EUR GLP as of June 2023, currently serving more than 7,000 borrowers and a deposit base of EUR 83M, with 69k depositors. The bank currently operates through a network of 14 branches, most of which are currently situated in Ulaanbaatar (UB), with only one branch located outside the capital, in the Orkhon Province. Bogd offers a diversified range of credit and savings products and its GLP is currently composed of 29% corporate loans, 26% SME loans and 45% retail



loans. Going forward, the bank plans to increase its focus on SME lending, particularly targeting women-led and sustainable businesses and expects to increase its outreach in the rural provinces of Mongolia.

### **Size of proposed investment**

DGGF will provide a senior loan to Bogd Bank of USD 8 million.

### **Intended transaction date**

The Fund Manager aims to close the agreement with Bogd Bank on December 20<sup>th</sup>, 2023.

### **Expected financial results**

A positive financial return on the investment is expected.

### **Expected impact**

DGGF funding to Bogd Bank will be fully earmarked to women SME portfolio and will help Bogd to scale up its women SME loan. According to the SME Finance Forum, Mongolian SMEs face a financing gap of over \$1.2 billion and the challenge of the financing gap is further compounded by the economic fallout due to the COVID-19 pandemic, which slowed growth in 2020 and 2021. It is estimated that women own 68% of SMEs in Mongolia, and yet, when it comes to financing, their businesses are underserved: 70% of women-led SMEs are not served or underserved, representing 25% of the total credit gap in Mongolia.

Bogd's operations are currently concentrated in Ulaanbaatar, but they are planning to further expand outside the capital and open branches in rural areas in order to increasingly support agriculture-related SMEs.

### **ESG compliance**

Bogd Bank is experienced with ESG risk management and has incorporated the DGGF ESG principles in its loan process. To ensure that the bank's ESG risk management is in line with DGGF requirements, Bogd Bank will adopt DGGF's exclusion list. Furthermore, Bogd Bank will integrate sector-specific risks for high-risk sectors into its ESG Policy to strengthen its due diligence process on clients in high-risk sectors. To ensure the aforementioned matters are integrated, Bogd Bank will share relevant documents with DGGF within agreed upon timelines.

### **Tax compliance**

Bogd Bank is a joint stock company established in Mongolia and is subject to the statutory tax rates. Bogd Bank solely provides financing to Mongolian SMEs, which will be normally taxed at the applicable rates. Bogd Bank is not making use of artificial constructions to lower its taxation or the taxation of the SMEs it finances. DGGF's investment conditions focus on ascertaining this. Bogd Bank requires SMEs that it finances to comply with local laws and regulations, amongst others, those regarding tax. DGGF will monitor whether Bogd Bank meets its ongoing tax obligations and acts in accordance with the DGGF tax criteria.